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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Report of the Commission on Enterprise, Business Facilitation and Development on its third session

held at the Palais des Nations, Geneva,
from 23 to 27 November and on 14 December 1998

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INTRODUCTION

1. The third session of the Commission on Enterprise, Business Facilitation and Development was held at the Palais des Nations, Geneva, from 23 to 27 November and on 14 December 1998. In the course of the session, the Commission held three plenary meetings (10th to 12th meetings) and 11 informal meetings.

Chapter I

AGREED CONCLUSIONS AND RECOMMENDATIONS ADOPTED BY THE COMMISSION AT ITS THIRD SESSION

Agenda item 3: The implications of the post-Uruguay Round economic environment for enterprise development, including policy issues relevant to inter-firm cooperation, clustering and networking

2. Globalization and the post-Uruguay Round have brought with them a new competitive environment and hence new requirements for sustained competitiveness on the part of firms. In this context, the Commission noted that international partnering, networking and clustering within localities are some of the best ways to build and sustain the kind of competitiveness that small and medium-sized enterprises (SMEs) need to survive and grow in a globalizing economy.

3. The Commission, taking note of the recommendations in the reports of the expert meetings on inter-firm partnerships and on clustering and networking (contained in documents TD/B/COM.3/12 and TD/B/COM.3/14 respectively), agreed on the following specific recommendations with regard to agenda item 3.

A. Addressed to Governments

4. Governments, particularly in developing countries and economies in transition, are invited to continue their efforts to create an enabling macroeconomic environment and provide basic infrastructure and services, including education, to promote private sector and SME development, including, *inter alia*, inter-firm partnerships.

5. For this purpose, Governments are invited to promote basic conditions such as a legal framework that includes a system of property rights, contract law, commercial law and bankruptcy laws, and a sound competition climate. Governments are also invited to develop local capital markets and mobilize domestic savings to facilitate the access of SMEs to finance.

6. Successful measures to stimulate enterprise clustering and networking require a constructive partnership between the public and private sectors and must provide demand-driven responses oriented to local conditions. Governments are accordingly invited to establish appropriate means which empower and encourage meso-level institutions to effectively support enterprise development, including, in particular, inter-firm cooperation.

B. Addressed to the international community

7. While developing countries have the primary responsibility for developing and promoting their enterprise sector, appropriate policies and support measures by the international community are of critical importance. These may include the provision of targeted technical assistance, access to information networks, and strengthening support for research and development systems through the enhancement of linkages with enterprises, universities and research institutions, as well as other appropriate channels.

8. A broad-based effort on the part of the international community is needed to assist SMEs in developing countries to meet internationally recognized standards. The international community should build awareness of the existence of such standards, provide information on how these standards can be met and provide related assistance.

9. A major challenge facing SMEs is access to finance. The international community should support and promote research on the feasibility of enhancing, designing and creating special financial mechanisms to meet SMEs' needs.

10. The international community is invited to facilitate inter-firm cooperation by contributing to the provision of access to capital, technology and managerial know-how, particularly in the least developed countries.

11. In support of national and regional initiatives to promote inter-firm cooperation, corresponding efforts should be made at the level of multilateral and/or bilateral cooperation. These efforts could include: support for programmes fostering the creation of inter-firm cooperation opportunities (e.g. through pilot projects, fairs, study tours, or website linkages); the training of staff from interested firms; facilitating technology transfer; the provision of experts; and financial assistance to support structures as well as information services. International cooperation schemes in developing countries and economies in transition should address the requirements of modern production methods (e.g. quality control, just-in-time production). Partnering agencies could also assist would-be partners in better articulating their objectives, focusing on trust-building processes and developing activities designed for this purpose.

C. Addressed to UNCTAD

12. UNCTAD is requested to complete expeditiously work mandated by previous sessions of the Commission and to undertake the following tasks:

13. UNCTAD, in cooperation and coordination with other international organizations, is requested to help developing countries integrate into networks of research institutions (in developing and developed countries) on networking, partnering and clustering issues in order to enable these countries to benefit from their research results.

14. UNCTAD should examine the feasibility, within the context of the EMPRETEC programme, of ways and means of increasing the access of SMEs to finance, including international venture capital.

15. UNCTAD should undertake case studies to identify best practices in promoting inter-firm cooperation with a view to developing criteria and checklists of conditions, capacities and attitudes which make companies "partnership-ready"; this includes addressing the needs of the least developed countries at the pre-collaboration level by identifying ways of enabling enterprises to build contractual trust through their legal systems, goodwill trust by creating a common vision among the partners and technical trust by strengthening their technological and managerial capabilities to carry out agreed tasks.

16. UNCTAD should provide advice to governments on creating an appropriate policy environment for inter-firm cooperation as well as advice on policy options within specific sectors.

17. UNCTAD should compile information or an inventory with a view to establishing, if necessary, an electronic network of North-South and South-South partnering programmes, relevant associations and organizations engaged in promoting inter-firm cooperation, including useful information on intermediary matchmaking agencies, using UNCTAD's website and linking it on-line to the EMPRETEC and the WAIPA (World Association of Investment Promotion Agencies) networks.

18. UNCTAD should prepare a study on innovative, non-fiscal incentives which can be used to stimulate clustering, promote investment, develop positive linkages within the domestic economy and bring about a greater transfer of skills and technology.

19. UNCTAD should also continue and expand its existing technical assistance programmes for developing countries, which are relevant for enterprise development such as EMPRETEC, TRAINFORTRADE and others. The least developed countries should have priority in the assistance provided by UNCTAD. The specific needs of certain developing countries with structurally weak and vulnerable economies should be addressed. UNCTAD should continue to provide technical assistance to economies in transition.

20. The Commission agreed to convene the following expert meeting under agenda item 3:

> Development of sustainable local services and national and international support measures including financial and non-financial services, human resource development, access to information and an assessment of access to technologies, to improve and promote the role and capacity of small and medium-sized enterprises in developing countries within the framework of a dialogue between the private and the public sector.

Agenda item 4: The impact and relevance of electronic commerce on trade growth and development

21. In the years to come, the development of electronic commerce will affect fundamentally the functioning of international trade. The participation of developing countries - in particular the least developed countries, and certain developing countries with structurally weak and vulnerable economies - and countries with economies in transition, and in particular of their enterprise sectors, in electronic commerce will be an essential ingredient for growth and wealth creation at the global level.

22. However, present inequalities in access to underlying infrastructures (such as telecommunications) and networks (such as the Internet) need to be addressed if the potential bene its of electronic commerce are to be realized in a truly global fashion. Equally important in this respect will be the ability of these countries to access relevant information about the technical, legal, economic and policy issues raised by the rapid development of electronic commerce.

23. In this context, the "Partners for Development" meeting (held in Lyon, France, from 9 to 12 November 1998) constitutes a positive contribution towards a common understanding of the development dimension of electronic commerce. The Commission considers that the pursuance of this positive approach could contribute to the work towards an international framework for electronic commerce.

24. The Commission expresses its appreciation to the secretariat for the quality of the analytical documentation produced for its third session, and stresses the importance of analytical documentation in raising awareness among member States of the potential benefits and obstacles specific to the development dimension of electronic commerce and in deepening understanding of policy implications. It considers that UNCTAD can make a significant and positive contribution to the current debate on electronic commerce by pursuing such work, while focusing on issues related to trade and development. This should be done in cooperation with international organizations which have a specific interest in the field of electronic commerce.

25. The Commission takes note of the recommendations of the expert meeting on "Capacity-building in the area of electronic commerce: human resource development", contained in document TD/B/COM.3/13.

A. Addressed to Governments

26. Governments are invited to provide the proper legal and regulatory environment for the rapid development of electronic commerce and its dissemination among enterprises, especially small and medium-sized enterprises with a view towards, *inter alia*, facilitating interoperability. In particular, policy measures likely to encourage investment in local telecommunications infrastructures and Internet connectivity should be considered as a precondition for the enhancement of the participation of all countries in electronic commerce.

27. Both the private sector and the public sector have important contributions to make to the design of the national and international rules and guidelines which will allow a fair and truly global dissemination of the benefits of electronic commerce. Governments are invited to pay appropriate attention to the experience and expertise of their own enterprises in the area of electronic commerce.

28. Governments are invited to pursue their efforts to give appropriate consideration to the development impact of the possible rules and regulations they could adopt nationally, regionally and internationally in the field of electronic commerce.

B. Addressed to the international community

29. The international community is invited to strengthen assistance to these countries in the following priority areas:

(a) Raising the awareness of government officials, trade practitioners and entrepreneurs about the various legal, technical and economic dimensions of electronic commerce, and their potential impact on the ability of these countries to participate more actively in international trade;

(b) Offering practical learning and information tools to enhance the ability of such countries and their enterprises to use the techniques of electronic commerce effectively;

(c) Strengthening developing countries' ability to enhance their trade efficiency through the use of electronic means;

(d) Providing necessary assistance to these countries in capacity-building and in setting up the necessary legal and regulatory framework to benefit from electronic commerce;

(e) Facilitating broader participation of these countries in the work towards an international framework for electronic commerce.

C. Addressed to UNCTAD

30. The Commission takes note of the existing cooperation between UNCTAD and other relevant international and regional organizations which have relevance in the field of electronic commerce and stresses the importance of further enhancing such cooperation.

31. The Commission requests that UNCTAD gather information relevant to development-related dimensions of electronic commerce and that this be posted on UNCTAD's website. Such information could include development-related programmes of international organizations as well as basic statistics on Internet access and connectivity.

32. The UNCTAD secretariat is encouraged to pursue its analytical and research work on the links between electronic commerce and development, with special focus on measures and policies likely to enhance the ability of these countries to participate more fully in global electronic commerce. The secretariat is encouraged to approach other relevant organizations to produce joint studies in areas of particular interest to these countries. Specific importance should continue to be attached to the links between electronic commerce and trade facilitation. Such work should be made available to other relevant organizations, in particular the World Trade Organization (WTO).

33. The Commission requests UNCTAD to organize regional electronic commerce workshops; emphasis should be put in such workshops on stimulating exchanges of experiences among enterprises having a practical knowledge of electronic commerce.

34. The Commission takes note of the secretariat's revised proposals for the Trade Efficiency Assessment Methodology (TEAM) and encourages the secretariat to approach possible donors to expand, if necessary, to other countries the valuable exercise carried out in Cambodia.

35. The Commission takes into account and supports UNCTAD's work in the area of electronic commerce. Concerning the Trade Point Programme, the Commission reserves its conclusions for its next session in the light of the ongoing discussion on the in-depth review of that programme in the Working Party on the Medium-term Plan and the Programme Budget.

36. The Commission agreed to convene the following expert meeting under agenda item 4:

Capacity-building in the area of electronic commerce: legal and regulatory dimensions:

(a) Potential impact on developing countries of the legal and regulatory proposals currently being discussed in international forums;

(b) Capacities and policies to be considered by developing countries and the international community to stimulate the participation of smaller players (including small and medium-sized enterprises and least developed countries) in global electronic commerce.

37. It decided to mandate its extended Bureau to consider the topic for the second expert meeting under this agenda item.

Chapter II

OPENING STATEMENT

38. The **Deputy Secretary-General of UNCTAD** said that the Commission on Enterprise, Business Facilitation and Development had achieved a number of results in the two years of its existence. With regard to agenda item 3 and the Commission's work on enterprise development, he highlighted the results of two expert meetings held in 1998, one on inter-firm partnerships (TD/B/COM.3/12) and the other on clustering and networking (TD/B/COM.3/14). The first had reaffirmed the role of SMEs and their critical contribution to employment, growth and development, while the second had stressed the importance of partnerships, clustering and networking as a mechanism to help firms to grow and survive in the post-Uruguay Round competitive environment. Cooperation could be particularly useful in promoting capacity-building in technology, marketing and managerial know-how. The expert meetings had adopted a series of recommendations aimed at different groups of development actors, including Governments, the international community and UNCTAD.

39. With regard to agenda item 4, he outlined several key areas of work, including the expert meeting on "Capacity-building in the area of electronic commerce: human resource development" (TD/B/COM.3/13), held from 29 June to 1 July 1998, which had addressed human resource development in the context of the emerging global information economy. The experts had proposed practical solutions to address those issues. Further to the expert meeting's recommendations, UNCTAD had pursued its work on: (a) conceptual and quantitative analysis of the impact of electronic commerce on trade and development; (b) the organization of regional seminars to raise the level of awareness of member countries about the possibilities and challenges of electronic commerce; (c) the production and dissemination of training packages, in particular through its TRAINFORTRADE/electronic trade activities; and (d) use of the Global Trade Point Network (GTPNet). Since the second session of the Commission, the secretariat had pursued its work on the quantitative and policy aspects of electronic commerce, and its impact on trade and development.

40. The "Partners for Development" meeting, held in Lyon from 9 to 12 November 1998, had dealt with issues of direct relevance to the work of the Commission. The Lyon meeting had had practical results in the area of enterprise development, partnering and investment promotion, including the conclusion of 18 partnership agreements, of which five were on enterprise development focusing on entrepreneurship and SME development in developing countries. An important aspect of inter-firm cooperation was the relation between domestic firms and foreign firms, and in Lyon local entrepreneurs had had an opportunity to talk with executives from global corporations about big firms helping small firms. Officials of investment promotion agencies were made aware of the fact that their clients were not only foreign investors but also domestic investors, and that a key role of such agencies was to facilitate cross-border partnerships between firms that contributed to innovation and sustained development in the enterprise sector.

41. The Lyon meeting had also been a milestone event with regard to UNCTAD's work on microfinance, business facilitation and electronic commerce. Particular mention should be made of important statements made at the opening session of GET UP (Global Electronic Trade - United Nations Partnerships) by the Deputy

Secretary-General of the Organisation for Economic Co-operation and Development (OECD) and by the Vice-President of the World Bank on the role of UNCTAD in shaping a global framework for electronic commerce, and in contributing to enhancing the access of developing countries to the infrastructures and techniques of electronic commerce.

Chapter III

THE IMPLICATIONS OF THE POST-URUGUAY ROUND ECONOMIC ENVIRONMENT FOR ENTERPRISE DEVELOPMENT, INCLUDING POLICY ISSUES RELEVANT TO INTER-FIRM COOPERATION AND CLUSTERING

(Agenda item 3)

42. For its consideration of this item, the Commission had before it the following documentation:

"Policy issues relevant to inter-firm cooperation, clustering and networking" (TD/B/COM.3/19);

"Report of the Expert Meeting on Inter-firm Cooperation" (TD/B/COM.3/12);

"Report of the Expert Meeting on Clustering and Networking for SME Development" (TD/B/COM.3/14).

43. The representative of the **UNCTAD secretariat**, introducing agenda item 3, said that the Uruguay Round negotiations had extended the process of trade liberalization, giving further impetus to the globalization of markets and competition. The resulting economic environment presented new challenges, particularly for the SME sector, which was the backbone of the production structure in the majority of countries. SMEs were under tremendous pressure to change but had limited means to do so. That fact had emerged clearly during the Asian financial crisis and could be seen in the impact of the crisis at the enterprise level. The externalities, support structures and trust-based relationships that developed within clusters might have attenuated some of the stress associated with the need for rapid change and might have avoided the high bankruptcy and unemployment rates which had resulted.

44. The monitoring of changes in competitive conditions, the evaluation of new technological alternatives and market opportunities, the availability of access to such information and building up the skills needed to manage information flows were all areas which would be critical to SMEs in the future. Together with the issue of the interface between the global and the local levels, those areas would require the attention of policy makers and their social partners. From a clustering, networking and partnering perspective, tremendous advantages could be gained by complementing local networking and partnering with similar linkages to firms and other actors abroad. The post-Uruguay Round era had also brought with it new rules governing international commerce, which firms would be obliged to respect; clustering, networking and partnering were powerful instruments in that area. Clustering made possible the cost-effective provision of new technologies. Research and development networks were a vital way for research institutes and firms in developing countries to leverage their knowledge base with respect to new technologies, including environmentally sound technologies, while partnerships amongst firms in close proximity made possible the creation of the positive externalities such as training programmes and testing laboratories that were needed to meet the new quality standards.

45. The post-Uruguay Round era had also created new challenges for policy makers trying to provide support to the enterprise sector. There were many areas in which new policies and support structures had proved invaluable in strengthening the ability of SMEs to build and sustain competitiveness under the new conditions, but many policy issues required further study.

46. Referring to the progress report on the implementation of the recommendations of the first and second sessions of the Commission (TD/B/COM.3/CRP.1), she highlighted the analytical work and technical assistance undertaken by the secretariat over the past two years, much of which had been increasingly carried out in collaboration with other international agencies. The technical assistance work carried out by the Division on Investment, Technology and Enterprise Development on the development of innovation, entrepreneurial and technological capabilities was an ongoing process; much of it was being undertaken through EMPRETEC and the programmes on Centres for Innovation and Enterprise Development, which were being extended to new regions and countries.

47. The representative of **Argentina**, speaking on behalf of the **Latin American and Caribbean Group**, suggested that the Commission should consider how to tackle the loss of competitiveness experienced by Central American enterprises as a result of the damage caused by Hurricane Mitch. With regard to competitiveness, the access by SMEs to financing was an important issue. The expert meetings held in the course of the year had made some important recommendations. One of the basic functions of Governments was to create a stable and favourable macroeconomic environment, a suitable legal framework and the necessary infrastructure for promoting inter-firm cooperation through partnerships, clustering and networking. Work by UNCTAD in that domain should continue, in cooperation with other organizations such us the United Nations Industrial Development Organization (UNIDO), the International Trade Centre (ITC), the International Labour Organization (ILO) and the United Nations Development Programme (UNDP). UNCTAD's independent advice to Governments with regard to inter-firm cooperation would be particularly useful. In studying innovative, non-fiscal incentives which could be used to stimulate clustering and networks of enterprises as recommended by the experts, the limits and consequences of such incentives with regard to commitments made within WTO would need to be taken into account.

48. The representative of **Mauritius**, speaking on behalf of the **African Group**, said that the new competitive environment of the post-Uruguay Round era had triggered a wave of liberalization and globalization and brought challenges as well as threats to entrepreneurs. African SMEs, which provided employment to large sections of the population, were dominated by a sectoral dualism in which weaker economic structures were often dominant. The interdependence in which SMEs were supposed to live was fraught with increased complexity and risks of instability and marginalization. For many African SMEs, the opportunities created by technological advances, the increased mobility of production factors and regional trading arrangements were either still nominal or not fully accessible. There was a need to create conditions which would allow African SMEs to catch up with the bandwagon of sustainable development, sustained economic growth and stability.

49. The younger generation of educated African entrepreneurs, many of whom were women, were not able to use all their knowledge and ideas, mainly because of the lack of means to give shape to their ideas or to implement projects that were already conceived or planned. There was a need for complementary financial and technical resources. In that regard, EMPRETEC could respond to the needs of African entrepreneurs, judging from the results of the pilot projects in Africa and other parts of the world. There was also a need to promote microfinancing, and UNCTAD's idea of organizing an international microfinance market, microbusiness points and micro-insurances schemes should be supported. UNCTAD could also endeavour to play a role in addressing the concerns of African SMEs

with respect to the activity of African stock exchanges, with a view to encouraging the latter to pay more attention to the interests of those firms.

50. Referring to UNCTAD's work on a positive agenda for developing countries in the upcoming multilateral trade negotiations, he pointed to the need to highlight what members of the African Group regarded as the loss of policy autonomy that had arisen from their commitments under various Uruguay Round agreements, especially the Agreement on Trade-Related Investment Measures. Certain policy measures should be considered as special and differential treatment for developing countries, not as trade-distorting measures. The international community should urgently devise appropriate support structures and mechanisms which would address the specific needs of African SMEs and enhance their participation in the global economy. He expressed the hope that the various partnership agreements between UNCTAD and other parties in the area of enterprise development, signed at the Lyon meeting, would expand further to include African concerns.

51. The representative of **India**, speaking on behalf of the **Asian Group and China**, drew attention to the context of the topic, which was the developing countries' efforts to achieve economic growth. Referring to the expert meeting on inter-firm partnerships, he stressed that the meeting had reached valuable conclusions and specific recommendations addressed to Governments, the international community and UNCTAD. The meeting had highlighted the role of Governments in providing a physical infrastructure and suitable legal environment, as well as raising awareness of the potential benefits of partnerships. It was also the Government's role to ensure that the results of research and development reached the enterprises. However, there was a need for a suitable international environment for which the international community would take some responsibility, for example, in facilitating access to finance or in shielding enterprises from the negative effects of international competitiveness and the volatility associated with globalization.

52. The representative of **Austria**, speaking on behalf of the **European Union**, emphasized the importance of a comprehensive approach to enterprise-related development issues and of UNCTAD's activities to foster the dynamism and creativity of the private sector, particularly SMEs. In that context, the expert meetings on inter-firm partnerships and on clustering and networking had been helpful. Such work needed to focus on countries with particularly low levels of human and physical capital. The implementation of the Uruguay Round agreements was largely on track, with landmark agreements recently being concluded in WTO on trade and information technology, basic telecommunications and financial services. A key to successful enterprise policies was innovation-based modes of competition, including continuing quality improvement, better after-sales service and continuous improvements in production and processing methods, technology and organization. However, equitable economic growth, which would be essential for any significant reduction of poverty over time, required the creation by Governments of a growth-oriented economic framework, institutional reform and good governance.

53. The representative of the **Russian Federation** said that in the current conditions of globalization and increased competition, forms of inter-firm cooperation such as international partnerships, networking and clustering were among the most effective ways of enhancing the competitiveness of enterprises. He stressed the role of Governments in providing favourable macroeconomic conditions, a suitable legal framework and basic infrastructure for such cooperation. Governments should more actively collaborate with business

associations, research and development institutions, business servicing centres and non-governmental organizations, and should empower all of them so that they could contribute more effectively to such cooperation. At the same time, Governments should not impose structures on enterprises but should facilitate the development of partnerships among them. Measures to stimulate the creation and strengthening of clusters and networks should also be taken at local and regional levels, and the Government's support should be addressed not to individual enterprises but to local trade, professional and business associations, non-governmental organizations and agencies supporting SMEs. Effective collaboration between international organizations dealing with enterprise development was also needed, so that a common approach to the issues of development of clusters and networks and enterprise development in general could be devised.

54. UNCTAD's work in the area of inter-firm cooperation was of practical interest to countries with economies in transition, and should be continued in various forms. For example, UNCTAD, in cooperation with other international organizations, could analyse the most positive experiences of promoting inter-firm cooperation, develop a checklist of conditions for successful partnerships, provide advisory services to Governments attempting to formulate policies to support inter-firm cooperation, and prepare a study on innovative non-fiscal ways of stimulating the creation of clusters.

55. The representative of **Japan** emphasized the relevance of inter-firm partnerships in the light of the "Partners for Development" meeting in Lyon, which had resulted in specific partnerships with civil society. A follow-up mechanism should be established. Japan was concerned to avoid the further marginalization of developing countries, particularly the least developed countries. Networking and clustering could compensate for some of the shortages of funds and increase the competitiveness of firms. The Asian financial crisis had created a difficult situation for many firms, particularly SMEs, in the region. In its efforts to support those firms, the Japanese Government had implemented a series of economic assistance measures worth US$ 44 billion, a significant part of which had been allocated to the support of local enterprises and trade financing. It had also announced a new financial aid scheme for Asia worth US$ 30 billion, to be implemented in accordance with the specific needs of each country. As the Japanese Prime Minister had said recently at the Second Tokyo International Conference on African Development, the private sector had a critical role to play in African development.

56. The representative of **Bangladesh** said that SMEs were critical for economic development, and a global enabling environment was important for SME growth in low-income economies. Microfinance schemes, technical assistance and the transfer of technology all had an important role to play in that growth.

Summary of the informal discussions on agenda item 3 [1/]

57. The informal discussions on inter-firm cooperation focused on both the opportunities created by inter-firm cooperation, clustering and networking and the challenges faced by SMEs. Issues addressed included access to finance, lack of awareness of international product standards, the appropriate role of the State, the need to achieve balance in strategic alliances (North-South partnerships) and the need to identify national potential before seeking such

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[1/] Prepared by the UNCTAD secretariat.

partnerships. Discussion was assisted by an expert resource person, Dr. Prasada Reddy, who introduced the agenda item with a short presentation of the key issues.

Trends in inter-firm cooperation

58. It was emphasized that although the number and variety of inter-firm alliances had grown significantly since 1980, there was a lack of consistent data on inter-firm cooperation agreements. There was evidence to suggest that firms were entering into agreements as a result of global competitive pressures and in order to share know-how and techniques that were specific to a given firm and that could not be obtained through traditional market exchanges. Knowledge acquisition, flexible market responses and long-term strategic interests were behind those agreements. The available data suggested that the majority of agreements were still taking place among the triad of industrialized blocs (the United States, western Europe and Japan), with developing countries and economies in transition currently having a smaller, though gradually increasing, share. By contrast, the number of such agreements involving firms from the least developed countries, particularly African enterprises, was still extremely low (for example, only 0.2 per cent of inter-firm technology alliances involved African partners). Also a considerable number of agreements were in high-technology sectors. A number of factors appeared to have contributed to the success of those alliances, including a clear definition of objectives and an early agreement on the form of cooperation, the task ahead, the methodology to be used and mutual expectations ("initial conditions"). Trust, the promise of creating value and adjustment capacities ("flexibility") were also among the factors which were crucial to successful inter-firm cooperation. Successful alliances tended to be evolutionary in nature and subject to interactive learning. Several concrete examples were given and the role of different actors (such as Governments, research and development institutions and the firms themselves) was highlighted.

Opportunities for inter-firm cooperation

59. It was pointed out that inter-firm cooperation opened up a number of opportunities which could help firms to stay competitive and to grow. From the perspective of firms from developing countries and countries with economies in transition which did not possess the advanced technologies and knowledge of the global distribution network, inter-firm cooperation offered the means of acquiring such capabilities. That was particularly relevant to SMEs. However, the form of cooperation to be adopted depended on the type of industry, the resources of the firms and the objectives of the alliance envisaged. As a result, national policies to promote inter-firm cooperation should take into account the needs of different sectors. The needs and requirements of the least developed countries for enterprise development, including inter-firm cooperation, were different from those of the developed world.

Role of the State in promoting inter-firm cooperation

60. Policies at the macro level should provide a general framework that would facilitate inter-firm cooperation. In that respect, the role of the State was highlighted, particularly with regard to the creation of a stable macroeconomic environment and a legal framework conducive to enterprise development. The needs and requirements of the least developed countries for enterprise development, including inter-firm cooperation, were different from those of developed countries. In discussing the role of the State, many delegates emphasized the

importance of public-private sector dialogue and measures were suggested to strengthen the form of partnership in which the interests of all parties could be represented. It was also suggested that policies should encourage professional and business organizations to form non-profit intermediaries that could act as catalysts in promoting inter-firm cooperation and offer advice to SMEs. Some delegations felt that, given the resource constraints they faced, Governments should identify sectors that could be successful and give priorities to those sectors in their programmes and policies. While highlighting the primary responsibility of national Governments for the development and promotion of SMEs, representatives from developing countries emphasized the critical need for appropriate support and assistance from the international community, particularly through the UNCTAD technical assistance programmes which were relevant to enterprise development. Such programmes, which included EMPRETEC and TRAINFORTRADE, coupled with the synergies resulting from closer cooperation between UNCTAD and other international organizations, could benefit developing countries in their efforts to develop a competitive domestic private sector.

61. Biotechnology was identified as a sector in which international inter-firm cooperation could have potential importance for least developed countries in particular. The experience of Costa Rica was discussed as a very interesting example of a country in which a great deal of preparation had been done in that area to ensure that good results could be achieved for sustainable development. That country had laid the groundwork for international inter-firm collaboration in the area of biotechnology by first identifying its own potential and defining clear objectives from the outset. It had decided not just to conserve the rich biodiversity of its tropical forests, but also to capitalize on it in an environmentally sound and sustainable way. That was achieved by careful study of legal and intellectual property rights issues, and by the adoption of policies in which the ministries of education and the environment played key roles, and which also involved universities and civil society at large. Careful attention was given to the precise codification of species to ensure that the national wealth of biodiversity could receive proper legal protection under national and international law. The entire population was made aware of the national treasure of biodiversity and of its economic value. Even schoolchildren were mobilized and trained to collect biodiverse materials. All the country's universities were equipped with laboratory facilities to process samples for pharmaceutical use, and the country's biodiversity was being mapped and codified. Costa Rica had also entered into alliances and partnership agreements with pharmaceutical firms to help in marketing the products of its forests. Costa Rica's policy attached importance to the role of its indigenous populations, who were the traditional guardians of the country's biodiversity.

62. A corollary to safeguarding and capitalizing on biodiversity was the development of eco-tourism, which had now grown to be Costa Rica's principal income-earning activity, alongside its income from coffee and bananas. Lessons to be learned from the Costa Rican experience were that developing countries needed to identify their potential and to establish clear policy objectives before entering into alliances or partnerships for marketing that potential in a sustainable fashion. A clear understanding of international law and intellectual property rights issues was of the utmost importance in developing national policy in that area. At the same time, it had to be remembered that enterprises did not enter into alliances for charitable reasons, but for profit.

Policies and programmes to promote partnering

63. There was a discussion of some of the ways in which clustering could be facilitated. For example, opportunities could be identified through seminars, fairs and study tours. The "Medicon Valley" biotech cluster in Sweden and the Bangalore software cluster in India were given as examples of spontaneous SME clustering which had benefited from the presence of a knowledge centre. The absence of a pivotal resource centre in developing countries often led clustered SMEs to continue to compete on the basis of permanent cost and wage reductions in traditional activities.

64. In order to attract foreign firms, and to make sure that the cluster competed in pursuit of development objectives, it was suggested that local governments should invest in human resource development and infrastructure. In Bangalore, highly skilled workers were readily available, and inter-firm cooperation was stimulated by the presence of support facilities, such as the Indian Institute for Information Technology, to which Microsoft had now decentralized some of its basic research activities.

65. The existence of a cluster depended on the degree of inter-firm cooperation. It was pointed out that partnership and trust were two important factors in SME clustering and networking, and they could be facilitated by national Governments as well as by the international community. Where no interaction among business took place, as was often the case in science parks or incubators, it was observed that spatial agglomeration was not enough to stimulate cumulative growth dynamics. When setting up that kind of SME support structure, a certain homogeneity among targeted business groups should be ensured. The success of a cluster should be measured also in terms of its impact on the working conditions of employees and on the living conditions of the local population.

66. A number of delegates described different development assistance schemes that furthered partnerships between enterprises from developed and developing countries. Under such schemes, Governments in some developed countries offered a range of incentives to SMEs to set up in developing countries and create linkages with local SMEs. For example, the Norwegian development assistance scheme promoted partnerships by providing subsidized trips and loans under favourable conditions to Norwegian companies interested in seeking partners in African and Asian developing countries, including through Norway's technical cooperation programme. Trade with those countries was facilitated by duty-free access to Norway of products that resulted from such joint-ventures.

67. One delegation underlined the need for an integrated approach to enterprise development based on policy interaction among the private and public sector actors at the macro, meso and micro levels, on the principle of subsidiarity, dialogue and public-private sector partnerships. For example, the European Business Assistance Scheme (EBAS) was founded on those principles. EBAS was to implement a new strategy for the development of the private sector. Its main objective would be to increase the competitiveness of firms in the countries of the African, Caribbean and Pacific region under the Lomé Convention. Twenty million ECUs over a three-year period would be available to assist individual enterprises, groups of firms and intermediary organizations. The programme would make available subsidies to cover 50 per cent of the access to and development of business support services, both at the enterprise level and at the level of the providers of business assistance services. Activities would not only be supply-driven, but also demand-driven.

68. One delegate described the promotion of constructive South-South partnerships between Asian and African enterprises. The Second Tokyo International Conference for African Development, held in October 1998, had adopted the Tokyo Agenda for Action, which guided the implementation of policy by Asian countries and their partners for African development. The Government of Japan had announced its assistance in establishing an "African Investment Information Service Centre" in cooperation with Malaysian and international organizations, as well as its intention to help organize the "Asia-Africa Business Forum" in 1999 in order to explore business opportunities for Asian and African enterprises.

Financing needs

69. The delegates highlighted finance as a critical element in promoting enterprise development. Finance, particularly microfinance, was among the key issues discussed at the "Partners for Development" meeting in Lyon, and several developing countries considered microfinance to be the most important aspect of SME support. However, access to credit and the financing of SME operations remained a major problem in developing countries, despite notable successes in the provision of microfinance. While microfinance had proved to be an important support measure for micro and informal sector enterprises, it could not address SMEs' financing needs. There was an urgent need to find new and original solutions to address the problem of access and develop credit and financing facilities which could meet the specific needs of SMEs. For example, Governments could explore the development and provision of credit and export guarantee schemes specifically for SMEs, and could consider ways of facilitating SME access to capital markets. Capital markets were an important source of finance which had so far been accessible mainly to larger firms. UNCTAD was called upon to assist Governments in exploring the possibilities for developing local capital markets for SMEs. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting Standards (ISAR) was currently researching affordable ways in which SMEs could achieve the accountancy standards required to access capital markets.

Increasing awareness and knowledge of international product standards

70. Delegates noted the importance of increasing awareness and knowledge of international product standards. SMEs needed to be aware of internationally agreed product standards with which they would have to comply if they were to participate in the international market. SMEs from developing countries and countries with economies in transition had problems in meeting such product standards, as a result of their lack of knowledge of the standards and how to implement them, as well as the high cost of certification. A broad-based effort on the part of the international community was needed to create a more enabling global environment that could assist developing countries in meeting those standards. Partnerships could play an important role in disseminating knowledge to countries on how the standards could be met.

71. There was also scope for South-South cooperation in preparing countries to meet international product standards. Moreover, South-South inter-firm cooperation had certain comparative advantages, including lower costs and the fact that they shared many of the same problems and had similar experiences.

EMPRETEC

72. Several delegations reiterated the importance of UNCTAD's work on the development of SMEs, particularly technical assistance for enterprise development as provided by the EMPRETEC programme. The UNCTAD secretariat was asked to compile information on relevant associations and organizations involved in promoting inter-firm cooperation in the North-South and South-South contexts.

Progress report and assessment of expert meetings

73. Many delegates welcomed the progress report on action taken on the recommendations of the first and second sessions of the Commission on Enterprise, Business Facilitation and Development. It was agreed that, bearing in mind resource constraints, attempts should be made to ensure a link between past and future work by the secretariat in implementing the Commission's recommendations. In that respect, a number of delegates emphasized that the expert meetings on, respectively, inter-firm cooperation, and clustering and networking had highlighted certain key principles for the development strategy of SMEs. They included the complementary roles played by a number of agents at the macro, meso and micro levels, and the need to create constructive linkages between the public and private sectors. Emphasis was also placed on the need to strengthen and enhance the role of intermediary organizations and the need for SME support measures to be demand-driven rather than supply-oriented.

74. Delegations expressed concerns about the backlog of unfinished analytical work which had been requested at the second session of the Commission on Enterprise, Business Facilitation and Development. Taking this backlog into account, delegations recognized that it would not be feasible for the secretariat to undertake all of the additional items of analytical work which had been recommended by the two expert groups, despite their potential value. The chairperson was requested in particular to record the interest of delegations from developing countries in possible future work on the study of evaluation methodologies to assist governments in their choice of business development services, as recommended in paragraph 20 of the "Report of the expert meeting on clustering and networking for SME development" (TD/B/COM.3/14).

Chapter IV

THE IMPACT AND RELEVANCE OF ELECTRONIC COMMERCE ON TRADE GROWTH AND DEVELOPMENT

(Agenda item 4)

75. For its consideration of this item, the Commission had before it the following documentation:

"Implications for trade and development of recent proposals to set up a global framework for electronic commerce" (TD/B/COM.3/17);

"Policy issues relating to access to participation in electronic commerce" (TD/B/COM.3/16);

"Report of the expert meeting on capacity-building in the area of electronic commerce: human resource development" (TD/B/COM.3/13);

"Trade efficiency assessment methodology (TEAM): an update" (TD/B/COM.3/15).

76. The representative of the **UNCTAD secretariat**, introducing agenda item 4, said that electronic commerce was an area in which UNCTAD and its sister institutions, especially ITC and the Economic Commission for Europe (ECE), had a head start, having addressed the issue as early as 1991, when the trade efficiency programme was launched. Since then, the international community had started to devote more attention to the main policy, regulatory, legal, economic and technical issues underlying electronic commerce. At the ministerial conference of the OECD on "A borderless world", and at the "Partners for Development" meeting in Lyon, it was considered that the design and implementation of a global framework for electronic commerce required that the development dimension should be treated as a matter of priority. In that context, the work and relevance of UNCTAD was increasingly seen as central.

77. It was important to address the issue of development and electronic commerce with at least two questions in mind, namely: what were the conditions under which developing countries would be able to access the technologies, infrastructure and know-how necessary to be active participants in global electronic commerce? And, assuming that such access existed, how would developing countries and their enterprises use it? In other words, what kind of content would circulate on such global networks? Those themes had been addressed at the meeting in Lyon and in the documents on electronic commerce produced for the current session of the Commission. That work would become even more important as the next WTO ministerial conference drew near, and as UNCTAD prepared for its tenth conference, in Bangkok.

78. Following the recommendations of the expert meeting on "Capacity-building in the area of electronic commerce: human resource development", the secretariat was receiving an increasing number of requests from members to develop its training and human resource development programme in the area of electronic commerce, and therefore a number of specific products had been developed, in particular within the TRAINFORTRADE programme.

79. With respect to the Commission's request to report on the progress of the trade efficiency assessment exercise, a revised and simplified approach had been suggested by the secretariat. The suggestion was based on a practical study carried out a few months earlier in Cambodia.

80. He introduced the progress report describing the ways in which the Division on Services Infrastructure for Development and Trade Efficiency had implemented the recommendations made by the Commission at its first two sessions. Much had been achieved, in spite of the heavy workload generated by the preparations for the Lyon meeting and shrinking extrabudgetary resources.

81. He gave a brief account of the outcome of the "Partners for Development" meeting. Feedback suggested that the positive spirit shown at the meeting would be carried forward, and that UNCTAD would be able to use the impetus from Lyon to prepare in the best possible fashion for UNCTAD X. In Lyon, something new had been attempted and something new had been achieved. The current discussion would build on that success and confirm that UNCTAD was, as its creators had intended, a true agent of change for development.

82. The representative of **Argentina**, speaking on behalf of the **Latin American and Caribbean Group**, underlined the importance of electronic commerce for development, and expressed the hope that electronic commerce and data exchange could be used to help the Central American countries in their efforts to overcome the devastating effects of Hurricane Mitch.

83. The Internet had grown remarkably, from one million users in 1992 to approximately 100 million in January 1998. According to UNCTAD documentation, there were now more than 8.5 million users in Latin America and the Caribbean and 34 million were forecast for the year 2000. The number of websites was expected to increase to 500,000 in 1999.

84. Electronic commerce was beginning to have an impact on traditional forms of trade and related services, and would inevitably have an impact on the relations between business, consumers and Governments. Meanwhile, the framework for electronic commerce was being studied by a number of institutions, such as the World Intellectual Property Organization (WIPO), the United Nations Commission on International Trade Law (UNCITRAL), the OECD and WTO, and developing countries were faced with negotiations to regulate and define the future use of electronic transmissions. UNCTAD's work was particularly important in focusing on the developmental aspects of electronic commerce, and UNCTAD needed to use its analytical ability to assess the social and economic impact of electronic commerce on the development of the Latin American and Caribbean region. Local businesses would greatly benefit from guidelines and training in electronic commerce.

85. In the forthcoming discussions at the current session of the Commission on ways of facilitating the access of developing countries to electronic commerce, attention should be given to the need to determine the appropriate ways to improve Internet access, particularly with regard to the legal framework and the economic and financial implications. He noted that UNCTAD's Trade Point Programme was an important element to be taken into account in that exercise. He therefore recommended that an expert meeting, with the participation of representatives from Trade Points, should be convened in 1999 to discuss matters pertaining to electronic commerce.

86. The representative of **India**, speaking on behalf of the **Asian Group and China**, said that UNCTAD was a vital link in the chain of trust and mutual understanding that needed to be built and strengthened in the area of electronic commerce. The Asian region had been one of the world's main sources of information technology, equipment and services over the last two decades. The region's high level of education and computer literacy made it a potential major player in global electronic commerce. Also, a large number of Asian countries had participated in the drafting of the proposals on electronic commerce made by the countries of the Asia-Pacific Economic Cooperation (APEC) forum, which were among the most advanced sets of proposals put forward by a regional group of countries. However, Asia also included some of the poorest countries in the world, and for those countries, electronic commerce would not become a reality unless the basic issues of access to information infrastructure and human resource development were addressed. The Lyon meeting had provided a major opportunity to address those issues. He noted with satisfaction that the first Trade Efficiency Assessment Pilot Study had been carried out in an Asian least developed country. It was to be hoped that the next few months would see a renewal of donor interest in the Trade Point Programme, as recent developments in the programme in several Asian countries had been very positive. The Commission could make an important contribution to enhancing the way in which electronic commerce was dealt with at UNCTAD X, where it would be one of the most important items on the agenda.

87. UNCTAD should make efforts to improve the current infrastructure deficiencies in developing countries in terms of hardware, the legal framework and human resource development, to enable those countries, particularly the least developed countries, to take advantage of electronic commerce and avoid marginalization. UNCTAD ought to participate actively in all international forums where the international rules and standards of electronic commerce were being developed, to protect the interests of the developing countries.

88. The representative of **Mauritius**, speaking on behalf of the **African Group**, said that electronic commerce was bound to affect fundamentally the way economic activities were conducted, particularly with regard to business and financial services, entertainment and telecommunications. In those circumstances, there would be no place for onlookers, and collaborative and cooperative alliances would be commonplace. Those positive developments would have their own far-reaching consequences and implications for the necessary infrastructure, legal and regulatory issues, proprietary rights and other trade, technical and financial issues related to electronic commerce. The development dimension should not be ignored, and UNCTAD should use its comparative advantage in such a way as to ensure coordination and synergy in the work of all the relevant organizations and the international community in general in order to avoid the dangers of marginalization. Developing countries, and their small and medium-sized enterprises, should derive benefits from the development of electronic commerce: to do so, they needed to commit themselves to that development, as African Ministers had already done in giving their assent to the WTO Declaration on Global Electronic Commerce in May 1998.

89. The representative of **Cuba** said that electronic commerce was another expression of the pressure of globalization. A solution had to be found to the problems of human resources and the financial cost of access to the Internet in order to avoid increasing the gap between developed and developing countries. Privatization was not the only solution to that problem. A first step in the development of electronic commerce in developing countries would be to improve business-to-business and government-to-business relationships. Such a strategy

would help to increase the efficiency of both the State and the enterprises and would improve their competitiveness.

90. He supported the idea of having simple and flexible rules and regulations for electronic commerce, but they should not diminish State sovereignty, as the State had to be able to protect national vital interests. It was important that trade facilitation and enterprise development should take place in an adequate international environment without interference in the sovereignty of any State, without restrictive trade measures, without practices that went against established principles of international law, and without unilateral and extraterritorial laws.

91. The representative of the **United States of America** said that the progress report on the implementation of agreed conclusions and recommendations prepared by the secretariat should be discussed during the session to determine the suitability of, and need for, further action. UNCTAD could play a role in assisting developing countries to understand the policy implications of electronic commerce-related development. The most suitable role for UNCTAD was to serve as an analytical clearing house for information for developing countries. In close cooperation with the relevant organizations, UNCTAD could set up a database on the state of connectivity in developing countries, which would be useful for developed countries which wished to provide assistance in those areas. The President of the United States of America would be making an important announcement on electronic commerce on 30 November 1998; details of that statement would be made available on the Internet, as well as on hard copy.

92. While awaiting the outcome of the ongoing investigations of the Office of Internal Oversight Services (OIOS), all references to the SEAL (Secure Electronic Authenticated Link) project should be deleted from the UNCTAD website, and no SEAL projects should be carried out before being authorized by the Commission. Moreover, electronic trading opportunities should not be considered before the evaluation of them was discussed at the forthcoming meeting of the Working Party on the Medium-term Plan and the Programme Budget.

93. The representative of the **Russian Federation** said that the recent advances in information and telecommunications technology were reshaping the ways in which international trade was conducted, by connecting participants from different parts of the world in one electronic market. Given UNCTAD's mandate as the central United Nations body for questions related to trade and development, he was in favour of UNCTAD's involvement in electronic commerce issues.

94. Electronic commerce was so far mainly restricted to developed countries, such as the United States of America, Japan and European countries, since its development was heavily dependent on the availability of a critical mass of Internet users. Developing countries and countries in transition were still constrained by the relatively high cost of access to and use of the Internet. Unequal conditions in that area, as well as in the availability of financial and human resources, needed to be addressed in order to make electronic commerce into a global instrument of growth and development for the whole international community. Governments should play an active role in that respect, not only as regulators, but also as active participants and, ideally, also as a source of funding for training and initial support to companies trying to establish themselves in the area of electronic commerce.

95. With a view to facilitating the further development of electronic commerce and increasing its benefits for all participants, a number of Governments had

prepared proposals for a global framework for electronic commerce. The Russian Federation fully supported UNCTAD's activities in that area, including the recent meeting in Lyon, and was convinced that UNCTAD could contribute substantially to the creation of a harmonized and transparent legal environment for electronic commerce in the future.

96. The representative of **Austria**, speaking on behalf of the **European Union**, said that electronic commerce had fast become an attractive addition to the traditional ways to trade for enterprises in developing countries, and was generating new business practices. The secretariat's analytical work was useful in helping Governments to better identify the technical, human, financial and legal difficulties faced by companies in developing countries in accessing and using the new technologies. The expert meeting on "Capacity-building in the area of electronic commerce: human resource development" had been particularly useful in that regard.

97. The representative of **Japan** said that electronic commerce offered major opportunities to developing countries, as it allowed small and medium-sized enterprises with original ideas to compete with large enterprises without the need for large amounts of capital investment or a large infrastructure. The potential importance of electronic commerce between developing countries should not be overlooked. Electronic commerce was a system that made speedy transactions possible, but that also presented obstacles. Developing countries should therefore be encouraged to work on trade facilitation by providing the necessary environment, such as trade processes and infrastructure, to allow enterprises to take full advantage of the benefits of electronic commerce.

98. The representative of **China** said that the impact of the information technology industry on the national economy was far greater than that of traditional industries. Electronic commerce, characterized by its high efficiency, low costs, high return and global nature, was replacing the traditional economic and trade structures, and it would surely have a far-reaching impact on the world economy and trade.

99. China attached great importance to the development of electronic commerce, and had established the Ministry of the Information Industry to promote the development of electronic commerce. It had been the first country to establish a Trade Point development centre after UNCTAD IX, and there were now two Trade Points in operation, in Beijing and Shanghai. It had also established an international electronic commerce network at the national level, and had successfully launched its first electronic foreign trade tender in October 1998.

100. However, there were also problems in developing electronic commerce, such as the lack of awareness of its importance at the enterprise level, and the lack of technology, electronic infrastructure and qualified technicians, as well as related financial and legal problems.

101. He recommended that efforts should be undertaken to promote the understanding of electronic commerce between countries, and that the different levels of development of countries should be taken into account when drawing up a global regulatory framework, which should follow a gradual approach. Also, the developed countries should provide technical assistance and funds to the developing countries to build up their infrastructure and capacity, so as to promote a balanced development of electronic commerce. While the positive role of the private sector in the development of electronic commerce should be

recognized, the Government's role in formulating policy and guidelines at the macro level should not be overlooked.

102. The representative of **Uganda** said that electronic commerce provided opportunities and challenges to developing countries, and gave them the possibility of "leapfrogging" in the process of becoming integrated in the world economy. He highlighted the wide disparities in access to services mentioned in document TD/B/COM.3/16 and the especially weak position of African countries. Connectivity in rural parts of Africa was problematic as wire telephone services were not available. In such areas, access to the Internet was only possible through cellular or satellite telephone connections, which were more expensive. It was essential to create the necessary infrastructure and provide for the development of human resources.

103. Major proposals had been put forward to create a global framework for electronic commerce, with WTO considering the rules and regulations that would be required. UNCTAD had a vital role to play in helping developing countries, especially the least developed and African countries, to identify the issues that would be taken up in whatever global framework emerged. He expressed his appreciation for UNCTAD's work in establishing a Trade Point in Uganda, and developing capacity-building in the electronic field. The Lyon meeting had been useful in providing developing countries with the opportunity to network with actors from Governments, the business world and civil society.

104. The representative of **Switzerland** said that electronic commerce was evolving rapidly and that developing countries needed to be actively involved in it in order to increase their participation in the global trade in goods and services. The priority for developing countries should be to implement the necessary telecommunications infrastructures, and the private sector had a crucial role to play in defining the regulations that would govern electronic commerce. The role of States in that respect was also vital, but government policies should be limited to the protection of private interests.

105. Considering that several certification mechanisms existed, it was vital to apply the principle of non-discrimination and interoperability of such mechanisms, in particular through the mutual recognition of certificates and electronic signatures. However, the technology in that area was evolving so quickly that it was difficult to adopt a top-down approach to the subject.

Summary of the informal discussions on agenda item 4[2/]

106. The discussions on agenda item 4 were supported by the analysis contained in documents TD/B/COM.3/16 and TD/B/COM.3/17. Delegations expressed their appreciation for the quality of the analytical work in those documents, and stressed the importance of UNCTAD's analytical work in that area.

Access issues

107. The discussion confirmed the importance, especially for developing countries, of being aware of the different possibilities of access to electronic commerce. Delegations were keen to know what work was being carried out by other international organizations in the area of access, and hoped there would be

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[2/] Prepared by the UNCTAD secretariat.

synergy between the different approaches. The secretariat highlighted the importance, especially for Africa, of having access to information in general and to the Internet in particular. Access should not be limited to the major urban areas. Delegations also stressed the importance of possibilities of access to electronic commerce for countries with structurally weak and vulnerable economies, and for countries with economies in transition. The Trade Point Programme was presented as a possible tool to allow small and medium-sized enterprises to participate in international trade, including in rural areas.

108. The complementarity of the work being carried out in various international organizations was illustrated by the example of the "Partners for Development" meeting held in Lyon in November, where the possibility of convergence between UNCTAD's Trade Points and the telecentres of the International Telecommunication Union (ITU) had been discussed with high-ranking representatives of the World Bank and UNDP.

109. Electronic commerce opened up a new era, and traditional ways of trading would have to change. It was therefore of great importance that developing countries should be informed of the work, research and discussions going on in various organizations. However, two very important points needed to be borne in mind: first, international exchanges between enterprises would grow extremely rapidly in the years to come, and, second, the respective roles of enterprise and Government would change. That was why it was important to pursue action-oriented goals.

110. The United Nations Institute for Training and Research (UNITAR) presented a CD-ROM entitled "Internet in the South", which had been produced with the participation of the United Nations Educational, Scientific and Cultural Organization (UNESCO), the Food and Agriculture Organization of the United Nations (FAO) and several universities. The CD-ROM was a compilation of publications relevant to electronic commerce. The contribution of UNCTAD to the project would consist of making available all its documents dealing with electronic commerce and assisting in the distribution of the CD-ROM. The CD-ROM was being issued in three languages (English, French and Spanish) for the time being. The different language versions had been adapted to the particularities of the economic and cultural situation of the language communities concerned, and would focus on publications and practical cases in countries with a shared cultural background. It was expected that the UNITAR CD-ROM would be updated every two years.

111. The importance of trust in any transaction between buyer and seller, a theme which had been taken up at the Lyon meeting, was underlined. The difference between the Internet, electronic commerce and electronic trade was clarified: the Internet was a protocol for information exchange, electronic commerce used the Internet to develop tools and to match importers and exporters, and electronic trade referred to financial markets. Many developing countries were worried about the supremacy of the Internet. Was there any other network where electronic commerce took place? The Internet seemed to be an unregulated self-governing body: hence, flexible rules and regulations needed to be developed for Internet-based electronic commerce.

112. The importance of the statistics contained in document TD/B/COM.3/16 was highlighted, and it was suggested that they should be more closely analysed. It was pointed out that the statistics for Africa were distorted to some extent by the inclusion of South Africa. Local variations in figures on, say, the number of Internet users needed to be kept in mind, especially in such a rapidly

evolving field as the Internet. The purpose of the document was to call attention to certain facts rather than draw specific conclusions.

Policy issues

113. A presentation was made on the latest developments in the discussions on electronic commerce in WTO. As far as WTO was concerned, electronic commerce was a new issue in world trade but it still obeyed the traditional rules and regulations of the General Agreement on Tariffs and Trade (GATT). WTO was analysing electronic commerce as a service; it defined electronic commerce as anything that was sold through the Internet. It recognized the benefits for developing countries of fully participating in electronic commerce, and was in the process of identifying the areas in which future negotiation would be needed.

114. Developing countries in general were concerned that recent fiscal proposals regarding electronic commerce might result in a loss of government revenue for them. There was a need to enhance the participation of developing countries in electronic commerce by making access to it as easy and economical as possible. Developing countries were also concerned about the risks of being left out of some of the important policy debates on electronic commerce, and they stressed the importance of UNCTAD's analytical work in strengthening their ability to participate actively in such debates. It was agreed that there was a need for coordination and cooperation in that area between all the international organizations, and especially between UNCTAD and WTO, whose work should be complementary. As the participation of developing countries was the key issue for UNCTAD, the latter's collaboration with WTO should be institutionalized.

115. A representative of ITU made a presentation on the role of community telecentres in providing universal access to information communication technology. ITU was focusing its activities on making basic telecommunication and value-added services available within walking distance of rural communities, since between 70 and 80 per cent of the population in developing countries lived in rural areas. Access to such services would have a great impact on development. The development of the local content of the telecentres would increase the participation of the communities they served in the information and knowledge society and in international trade. The role of the telecentres was: (a) to provide tools for rural development through telematic applications in trade, commerce, agriculture, health and education; (b) to allow the rural community to share telecommunication facilities; and (c) to promote rural development.

116. There were still some barriers to the development of such centres, such as lack of awareness among rural inhabitants, policy and regulatory obstacles, and the lack of infrastructure or skills and training. However, successful telecentres were already operating in various developing countries, including Benin, Bhutan, Haiti, Honduras, India, Maldives, Mali, Mozambique, Romania, Senegal, Suriname, Uganda, the United Republic of Tanzania and Viet Nam. ITU organized regional seminars on community telecentres in partnership with other agencies. UNCTAD had been invited to participate in the seminar due to take place in Budapest in December 1998, but was unable to accept the invitation because of a lack of resources.

Trade Efficiency Assessment Methodology

117. UNCTAD had been requested at UNCTAD IX to work on a Trade Efficiency Assessment Methodology (TEAM), and the secretariat had presented a methodology for the work at the second session of the Commission. On that occasion, the Commission had expressed doubts about the complexity and cost of the methodology, and had suggested that the secretariat should simplify it so that countries would be able to use it on their own. In response to that suggestion, the secretariat had carried out a short mission to one of the least developed countries, Cambodia; a report on the mission (UNCTAD/SDTE/SMSE/Misc.19) was available.

118. The Commission needed to decide whether the exercise was useful in its current form, whether it should it be followed up, and whether, given the limited resources available to the secretariat, extrabudgetary resources (if available) should be used.

Consideration of reports

119. Among the conclusions of the report on the expert meeting on "Capacity-building in the area of electronic commerce: human resource development" was a proposal to issue some CD-ROMs, which could be disseminated through the TRAINFORTRADE programme. The special seminar for Arab countries on electronic commerce had been very successful and its results had already been widely disseminated. Since the seminar, UNCTAD had received several requests to organize similar exercises.

120. It was indicated that a new strategy for the TRAINFORTRADE programme was expected. Regional seminars seemed to be the right level for training in electronic commerce, and they should bring together the private and public sectors, which were both very interested in the issue. The participation of WTO in such seminars should be encouraged. The target countries for the seminars were the developing countries, including the least developed countries. That kind of seminar provided the perfect opportunity for UNCTAD, WTO and ITC to coordinate their approaches to training in electronic commerce.

Trade Point Programme

121. Long and intensive discussions took place on electronic commerce and in particular on the Trade Point Programme. There was consensus on the difficulty of taking any decision regarding the Programme as long as the Working Party on the Medium-Term Plan and the Programme Budget had not completed its in-depth review of the Trade Point Programme. Subsequently, the Commission decided to mandate its extended Bureau to consider the topic for a second expert meeting.

Chapter V

ACTION BY THE COMMISSION AND CLOSING STATEMENTS

Action by the Commission

122. At its 12th (closing) meeting, on 14 December 1998, the Commission adopted its agreed conclusions on agenda items 3 and 4 (contained in chapter I). It also agreed to include summaries of the informal discussions on those agenda items, prepared by the secretariat under the authority of the Chairperson, in the final report of the meeting (the summaries are contained in chapters III and IV respectively).

Closing statement

123. The representative of **Uganda** recalled that it had been agreed at Midrand to give priority to the least developed countries in UNCTAD's work and activities at both the intergovernmental and secretariat level. He said he had gone along with the consensus at the current session on the understanding that due attention would be given to the problems facing the least developed countries. He shared the concern expressed by the representative of the United States of America during the informal discussions about the marginalization of Africa and the least developed countries in UNCTAD.

Chapter VI

ORGANIZATIONAL MATTERS

A. Opening of the session

124. The third session of the Commission on Enterprise, Business Facilitation and Development was opened on 23 November 1998 by Mr. Carlos Fortin, Deputy Secretary-General of UNCTAD.

B. Election of officers

(Agenda item 1)

125. At its 10th plenary meeting, on 23 November 1998, the Commission elected its Bureau as follows:

Chairperson:	Mrs. Heather Booth di Giovanni	(United Kingdom of Great Britain and Northern Ireland)
Vice-Chairpersons:	Mr. Tadeous Chifamba	(Zimbabwe)
	Mr. Nathan Irumba	(Uganda)
	Mr. Jean Luc Le Bideau	(France)
	Mr. Sugeng Rahardjo	(Indonesia)
	Mr. Antonio Rodas Pozo	(Ecuador)
Rapporteur:	Mrs. Sima Eivazova	(Azerbaijan)

C. Adoption of the agenda and organization of work

(Agenda item 2)

126. At the same meeting, the Commission adopted the provisional agenda circulated in document TD/B/COM.3/18. Accordingly, the agenda for the third session was as follows:

1. Election of officers

2. Adoption of the agenda and organization of work

3. The implications of the post-Uruguay Round economic environment for enterprise development, including policy issues relevant to inter-firm cooperation and clustering

4. The impact and relevance of electronic commerce on trade growth and development

5. Provisional agenda for the fourth session of the Commission

6. Other business

7. Adoption of the report of the Commission to the Trade and Development Board.

D. Provisional agenda for the fourth session of the Commission

(Agenda item 5)

127. At its closing plenary meeting, on 14 December 1998, the Commission approved the provisional agenda for its fourth session (see annex I below).

E. Adoption of the report of the Commission to the Trade and Development Board

(Agenda item 7)

128. Also at its closing plenary meeting, the Commission adopted its draft report (TD/B/COM.3/L.8 and L.8/Add.1), subject to amendments to the summaries of the statements, and authorized the Rapporteur to finalize the report in the light of the proceedings of the closing plenary.

Annex I

PROVISIONAL AGENDA FOR THE FOURTH SESSION OF THE COMMISSION

1. Election of officers

2. Adoption of the agenda and organization of work

3. Assessment of innovative policies and non-fiscal measures for upgrading SME clusters, promoting investment to SMEs and developing their external linkages, taking into account the respective roles of the private sector, and governmental and other institutions, with the aim of fostering competitiveness, innovation and productivity in a globalizing world economy

4. Electronic commerce and the integration of developing countries and countries with economies in transition in international trade

5. Reports of the subsidiary bodies of the Commission

6. Progress report on the implementation of agreed conclusions and recommendations of the Commission

7. Other business

8. Adoption of the report of the Commission to the Trade and Development Board

Annex II

ATTENDANCE */

1. The following States members of UNCTAD, members of the Commission, were represented at the session:

Algeria
Argentina
Australia
Austria
Azerbaijan
Bangladesh
Belarus
Belgium
Bulgaria
Burundi
Chile
China
Colombia
Costa Rica
Croatia
Cuba
Czech Republic
Denmark
Ecuador
Egypt
Ethiopia
Finland
France
Gabon
Germany
Guatemala
Haiti
India
Indonesia
Iran (Islamic Republic of)
Ireland
Italy
Japan
Jordan
Kenya
Libyan Arab Jamahiriya
Malta
Mauritius
Mexico
Morocco
Nepal
Netherlands
Nicaragua
Nigeria
Norway
Panama
Paraguay
Peru
Philippines
Portugal
Qatar
Russian Federation
Rwanda
Senegal
Singapore
Slovakia
South Africa
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Thailand
The Former Yugoslav Republic of Macedonia
Trinidad and Tobago
Tunisia
Turkey
Uganda
Ukraine
United Kingdom of Great Britain and Northern Ireland
United States of America
Venezuela
Viet Nam
Yemen
Zambia
Zimbabwe

2. The following intergovernmental organizations were represented at the session:

Arab Labour Organization
European Community
League of Arab States
Organization of African Unity

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*/ For the list of participants, see TD/B/COM.3/INF.3.

3. The following specialized agencies and related organization were represented at the session:

International Labour Organization
International Monetary Fund
United Nations Industrial Development Organization
World Trade Organization

4. The Economic Commission for Europe and the International Trade Centre UNCTAD/WTO were represented at the session.

5. The following non-governmental organizations were represented at the session:

General Category

International Chamber of Commerce
International Confederation of Free Trade Unions
World Federation of United Nations Associations
Development Innovations and Networks

Resource person

Mr. P. Reddy, Research Fellow, Research Policy Institute, Lund University, Sweden

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